

United States Senate

July 7, 2022

The Honorable Miguel Cardona
Secretary of Education
U.S. Department of Education
400 Maryland Ave, SW
Washington, D.C. 20202

Dear Secretary Cardona:

I write to first, commend your efforts to implement changes to the Public Service Loan Forgiveness (PSLF) program, via the limited waiver announced last year and the additional flexibilities announced on April 19, 2022. These changes have significantly improved the lives of thousands of public servants, including 2,550 borrowers in New Jersey. However, there is much more that the Department of Education can and should do. As such, I write to request that the Department further expand its current flexibilities to allow for **all** public servants—including those who were improperly placed into in-school deferments—to achieve the promised benefit of the PSLF program.

The Department's PSLF Limited Waiver and additional flexibilities were implemented to "address historical failures in the administration of the federal student loan programs."¹ While these initiatives help to provide a remedy for "years of administrative failures," they do not provide relief for numerous public servants who were steered into, or improperly kept in, in-school deferments, especially while they were working in PSLF-qualified employment.²

Although the Department provides clear guidance that allows for borrowers to decline in-school deferments,³ the Consumer Financial Protection Bureau (CFPB) warned in a 2017 report that, "borrowers who return to school complain that servicers may prevent them from remaining in a qualified repayment plan."⁴ Specifically, the CFPB described that:

Despite providing instructions to keep their loans in repayment while attending school, borrowers report that upon returning to school, their servicer will automatically place their loans into in-school deferment, preventing borrowers who work in public service while attending school from making qualifying payments under PSLF. Some borrowers note that their loans are repeatedly placed

¹ U.S. Dep't of Educ. (Ed), *U.S. Department of Education Announces Transformational Changes to the Public Service Loan Forgiveness Program* (Oct. 6, 2021), <https://www.ed.gov/news/press-releases/us-department-education-announces-transformational-changes-public-service-loan-forgiveness-program-will-put-over-550000-public-service-workers-closer-loan-forgiveness>; Ed, *Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs* (Apr. 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>.

² Ed, *Department of Education Announces Actions to Fix Longstanding Failures in the Student Loan Programs* (Apr. 19, 2022), <https://www.ed.gov/news/press-releases/department-education-announces-actions-fix-longstanding-failures-student-loan-programs>.

³ Ed,

⁴ CONSUMER FIN. PROT. BUREAU (CFPB), *STAYING ON TRACK WHILE GIVING BACK* (Jun. 2017) https://files.consumerfinance.gov/f/documents/201706_cfpb_PSLF-midyear-report.pdf.

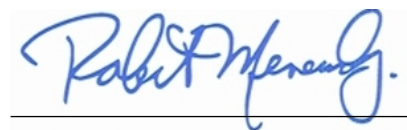
back into in-school deferment, even after advising the servicer that they wish to remain on an income-driven repayment plan while in school. Borrowers complain that it can take months to get their loans back into an [income driven repayment] plan, resulting in unnecessary accrued interest and missed qualifying payments.⁵

These actions amount to deferment steering and are likely improper uses of in-school deferments by servicers, in violation of their contracts with the Department. These actions should be immediately corrected by the Department, as they are problematic for the numerous public servants in the education and public health professions, many of whom are required to pursue higher education as a condition of their employment.⁶ This is also an issue for active duty military members and Peace Corps Volunteers (PCVs), both of whom are eligible for specific deferments based on their service, yet are often placed in in-school deferments automatically by their servicer.

I am concerned that without corrective action, numerous public servants who were working in public service jobs while attending school will be left out of the current waivers and flexibilities being offered by the Department. I am also concerned that active duty military members and PCVs who were also attending school while serving their country, will not receive credit under PSLF.

Although I appreciate the progress the Department has made since October 2021, I firmly believe that the actions of servicers, particularly those described above, have derailed this important student loan program and are the main reason that only 15 percent of eligible borrowers are on track to receive debt cancellation under PSLF.⁷ As the Department continues to work towards bringing borrowers closer to public service loan forgiveness, I ask that the Department include in-school deferments in any future waivers or flexibilities that are announced.

Sincerely,



Robert Menendez
United States Senator

⁵ *Id.* (emphasis added).

⁶ For example, in many states, teachers, counselors, and school administration are required to complete their Master's degree within five years of signing a teacher contract. *See, e.g.*, Certification Map, <https://certificationmap.com/states/>. In the public health field, it is common for nurses and nursing assistants, social workers, speech pathologists, and physical therapists to pursue higher degrees or additional credentials in order to meet state licensing requirements.

⁷ *See* STUDENT BORROWER PROTECTION CTR. (SBPC), MORE THAN 9 MILLION PUBLIC SERVICE WORKERS WITH FEDERAL STUDENT LOANS ELIGIBLE FOR DEBT CANCELLATION, FEWER THAN 2% HAVE RECEIVED RELIEF, AND ONLY 15% ON TRACK (Jun. 9, 2022), <https://protectborrowers.org/new-analysis-more-than-9-million-public-service-workers-with-federal-student-loans-eligible-for-debt-cancellation-fewer-than-2-percent-have-received-relief-and-only-15-percent-on-track/>.